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THE NILSON REPORT

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674

FOR 29 YEARS, THE LEADING PUBLICATION COVERING CONSUMER PAYMENT SYSTEMS WORLDWIDE

TOP CREDIT AND DEBIT CARD PROCESSORS

The 90 largest firms processing data for card transactions in the United States are listed on page seven ranked by the number of transactions they handled during 1997. The authorization, clearing, and settlement of each transaction requires processing by both the issuing and acquiring sides ... (turn to page 6)

CARDS FOR DEADBEATS — PART TWO

Portfolios of charged-off debt contain many accounts with chronic problems, but they also contain accounts held by otherwise responsible people who had to temporarily walk away from their debts ... (turn to page 4)

TAX PAYMENTS BY CARD More than 25 million of the 129 million federal income tax filings made by consumers and businesses for the 1997 tax year were sent to the Internal Revenue Service electronically, either from a personal computer or a ... (turn to page 6)

GENERAL PURPOSE CARDS — U.S. MIDYEAR

During the first six months of this year, total volume generated by Visa, MasterCard, American Express, Discover, and Diners Club brand credit and debit cards issued in the United States totalled ... (turn to page 8)

FIFTH & SIXTH 50 BANK CREDIT CARDS 1997

Page 9 shows the Visa and MasterCard credit card issuers ranked 201 through 300 at year-end 1997 based on outstandings. The chart also shows volume and cards. Prior issues: 666, 662, 661, 660 (turn to page 9)

ATM INSTALLATIONS The worldwide installed base of automated teller machines and cash dispensers exceeded 830,000 at the end of last year and will top 1,000,000 terminals by the middle of next year. By 2005, the installed base will exceed ... (turn to page 5)

TOP PROCESSORS IN THE U.S.

of Credit Cardholder Accounts*

1. First Data	6. Discover
2. TSYS	7. 1st Chicago
3. Amex	8. Equifax
4. Citibank	9. Sears
5. MBNA	10. GE Capital

*ranked by transactions authorized
and posted to accounts

of Debit Cardholder Accounts*

1. First Data	6. M&I Data
2. TSYS	7. Visa
3. B of A	8. 1st Chicago
4. U.S. Bank	9. Deluxe
5. Honor	10. Nyce

*ranked by transactions authorized
and posted to accounts

of Card Transactions at Point-of-Sale Terminals

1. First Data	6. TSYS
2. Vital	7. EPS
3. Nat'l Data	8. Alliance
4. NPC	9. MPS
5. Paymentech	10. Arco

of Card Transactions at Automated Teller Machines

1. EDS	6. Texas Comm.
2. Deluxe	7. Citibank
3. EPS	8. B of A
4. MPS	9. Wells Fargo
5. Honor/Star	10. Nyce

INSIDE: Fast Facts, Job Mart, & Management Changes, Conferences & Seminars (Pages 2 & 3) ... VeriFone Signature Capture Terminal (Page 4) ... SRI Europe Collections Conference (Page 4)

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FAST FACTS FAST FACTS FAST FACTS FAST FACTS FAST FACTS FAST FACTS

MERLIN SOLUTIONS, provider to card acquirers of merchant dispute processing including retrievals, charge-backs, compliance, collections, and arbitration, will install NeuralTech's CADRE system to automate each phase of the resolution process. Anthony Weare is Pres. at Merlin Solutions, (301) 631-6713, fax (301) 631-6721. John Cramp is Pres. at NeuralTech, (703) 322-2400, fax (703) 322-2419.

FIRST DATA FINANCIAL SERV. has formed a joint venture with BA Merchant Serv. and USA Processing to offer card processing, check cashing, and money transfer services to gaming outlets. Larry Davis is Pres. at FDFS, (615) 370-7633, fax (615) 371-3193. Sharif Bayyari is Pres. at BAMS (415) 241-3373, fax (415) 241-4198. Robert Cucinotta is Pres. at USAP, (408) 245-7390, fax (408) 245-5311.

GLOBESET and **IBM** have successfully completed interoperability tests of their respective SET Secure Electronic Transaction software for Internet commerce including consumer wallets, merchant servers, acquirer payment gateways, and certificate authorities. Mark Greene is VP at IBM, (914) 784-5551, fax (914) 784-3807. Wes Byrne is VP at GlobeSet, (512) 427-5100, fax (512) 427-5101.

DEEP VIEW SYSTEMS has created the first on-line neural network-based system to support check authorizations for the TeleCheck subsidiary of First Data Corp. Jim Lerdal is President at TeleCheck, (713) 599-7609, fax (713) 599-7350. Rodger Thornton is CEO at DVS, (719) 592-0000, fax (719) 592-0002.

BELLSOUTH co-branded credit cards have been sold by Prudential B&T to GE Capital. Conversion of 450,000 cards will take place in September. Kathryn Marinello is Pres. at GE Capital CFS, (513) 459-6801, fax (513) 459-6806.

ELECTRONIC PAYMENT SERVICES has acquired processing contracts for more than 3,000 dial-up ATMs from Transaction Network Services. Richard Garman is Pres. at EPS, (302) 791-8990, fax (302) 791-8764. John McDonnell is Pres. at TNS, (703) 453-8400, fax (703) 453-8599.

GOTTSCHALKS department store chain has acquired all Harris Co. department stores including more than 100,000 active proprietary credit card accounts. Gottschalks' existing active account base exceeds 525,000. Bret Levy is VP at Gottschalks, (209) 434-4798, fax (209) 433-4920.

JOB MART — POSITIONS AVAILABLE Subscribers pay \$300 per 100 words (nonsubscribers \$500 for Job Mart positions).

MAY & SPEH seeks **Account Director**. May & Speh is a nationally known information management company with more than \$100 million in revenues. As a premier provider of information management solutions, we leverage our superior data center technology, our industry expertise, and our consultative solution development skills to transform data into knowledge that enables our clients to become measurably more profitable. The company offers a complete range of integrated decision management solutions including strategy design, database design, enhancement, warehousing and access, modeling and analysis, and list processing. Our target markets include: Financial Services, Insurance, Utilities, Telecommunications and Consumer Goods, with a focus on Direct Marketing Services. We've enjoyed dramatic growth over the past five years and are now combining the excitement of a start-up company with our 50 year history of producing profits each and every quarter. If you seek a new challenge for your remarkable skills, join us as **Account Director**. The professionals we seek for this position provide a crucial element in May & Speh's ongoing success and growth — complete customer satisfaction. As the primary customer retention contact, the chosen candidates will work consultatively to analyze the customer's specific business objectives and assist in the developing and implementing of technologically sound solutions to achieve their goals and ensure timely project completion. Qualified candidates must possess a bachelor's degree, excellent analytical, organizational, negotiation, presentation, and communication skills, as well as strong consultative customer orientation and business/financial acumen. Advanced knowledge of applied technology development techniques and tools,

operating interfaces and job process flow is essential. This position also necessitates experience with direct mail or database marketing utilities; data enhancement products; application systems development and management; and maintaining expertise in the customer's industry. May & Speh offers a competitive salary and comprehensive benefit package. Please forward resume to: May & Speh, HR-TW 1501 Opus Place, Downers Grove, IL 60515-5713. Fax: (630) 719-0290. Email: HYPERLINK mail to: recruiting@mayspeh.com. You may visit our web site at www.mayspeh.com.

AXIOHM TRANSACTION SOLUTIONS a rapidly growing public company that designs, manufactures and markets specialty printers, printer components and card reader devices has the following opportunity in its American Magnetics division at its new Cypress, California location. **Senior Product Manager**. The qualified candidate will be a key member of the marketing team responsible for developing and implementing a business plan to grow the card reader business. Will participate in the development of the marketing strategy, identify new product requirements and lead new products introductions. Will maintain awareness of competitor's products, pricing, positioning and distribution, and develop and implement plans to maximize product line revenue. Requires BS in engineering/business, and 3-5 years experience in product management; MBA preferred. Experience in the card reader market is strongly desired. Axiomh offers an excellent salary and benefits package. Qualified candidates should send resume to Axiomh Transactions Solutions, Inc., Attn: Job #DS1, 15070 Avenue of Science, San Diego, CA 92128. Fax (619) 451-3688; No phone calls please. EOE.

FAST FACTS FAST FACTS FAST FACTS FAST FACTS FAST FACTS FAST FACTS

DAMARK INT'L membership clubs for discount travel, hospitality, entertainment, retail, health and fitness and more be marketed to select customers of Capital One. More than 1.4 million consumers belong to Damark clubs. Mark Cohn is CEO at Damark, (612) 531-0066, fax (612) 531-0481.

MERIDIAN ENTERPRISES has settled out of court its claim that the Sunoco/BofA co-branded card infringes on its patent covering incentive award programs. Previous settlements were reached with Exxon/GE Capital, Banc One/BP, Associates Nat'l/Unocal, Amoco, Phillips, and Total. A suit remains against Chase/Shell. Mike Fraser is EVP at ME, (314) 592-3144, fax (314) 592-4144.

ATM TIX, a privately held company whose software is used to connect entertainment and event ticket providers to existing bank ATM networks, has sold a minority interest to Transaction Systems Architects, parent company of Applied Communications Inc. Steve Schiller is VP at ACI, (402) 390-7678, fax (402) 390-8077. Jerry Frazee is Pres. at ATM Tix, (650) 378-1418, fax (650) 372-0901.

BROOKS BROTHERS clothiers in the U.S., subsidiary of Marks & Spencer in the U.K., has sold its private label credit card business to GE Capital which will continue to manage the program under a new five-year agreement. Edward Stewart is CEO at GE Capital Retailer Financial Services, (203) 357-4720, fax (203) 357-4135.

PMT SERVICES has acquired Superior Bankcard Services and its portfolio of about 20,000 merchant card processing contracts generating nearly \$1 billion in annual charge volume. PMT is scheduled to merge with Nova Corp. later this year. Joe Kaplan is Pres. at SBS, (818) 594-3700, fax (818) 594-3799. Richardson Roberts is CEO at PMT, (615) 743-3800, fax (615) 254-1501.

GELCO INFORMATION NETWORK, provider of travel expense management services, and Extensity, developer of applications used to reduce costs in corporations, will develop a process that lets Gelco customers file expense reports using a Web browser. Sharam Sasson is CEO at Extensity, (510) 594-5700, fax (510) 596-2676. Jim Prebil is SVP at Gelco, (612) 947-1524, fax (612) 947-1717.

VIRTUAL GAMING TECHNOLOGIES, an Internet gambling and sports betting firm based in San Diego, California and the operator of Virtual Casino, will use Barclays Bank of the U.K. as its merchant acquirer for Visa and MasterCard payments. Bruce Merati is CFO at VGT, (619) 259-5015, fax (619) 259-5087. James Davison is Mng. Dir. at Barclays Merch. Serv., 44 (1604) 234-234, fax 44 (1604) 252-603.

FLEXICOM, Ireland-based supplier of card payment processing software, has filed with Dublin's Developing Companies Market and London's Alternative Investment Market for an initial public offering of common stock. The company has clients in 11 countries. For information about the IPO contact Kevin Keeting at Goodbody Stockbrokers, 353 (1) 667-0400, fax 353 (1) 667-0410.

GE CAPITAL will acquire assets of Lake Corp., Japan's 5th-largest consumer finance company with about \$6.8 billion in outstandings, including the company's name, trademark, and retail branches. GE Capital issues cards in Japan under the names Koei Credit, NC Card Sendai, and GE Capital Consumer Finance. David Nissen is Pres. Global Consumer Finance at GE Capital, (203) 357-4668, fax (203) 961-5305.

EQUIFAX has signed an agreement with UK Yellow Pages Group to develop business-to-business marketing capabilities, electronic commerce products, and more. Nick Bevan is EVP at Equifax, 44 (171) 298-3000, fax 44 (171) 723-1999. John Condron is Mng. Dir. at UKYPC, 44 (118) 950-6826, fax 44 (118) 950-4548.

HYPERCOM has been selected as a "vendor of choice" to supply POS terminals to Visa members in Central Europe, the Middle East and Africa. Rob Meli is Mng. Dir. at Hypercom Europe, 44 (1483) 718-600, fax 44 (1483) 718-601. Alan Goslar is EVP at Visa, 44 (171) 225-8127, fax 44 (171) 225-8551.

SCHLUMBERGER has completed the upgrade of its Mexican card production and personalization center and now has the capacity to produce and personalize 5 million magnetic stripe and 5 million smart cards monthly. Eric Claudel is GM, 52 (5) 263-3000, fax 52 (5) 263-3192.

CGI GROUP has signed a five-year contract to provide processing for 330 ATMs and 1,500 POS terminals for Laurentian Bank. Jean Brassard is Pres. and COO at CGI, (514) 841-3228, fax (514) 841-3294. Gilles Godbout is EVP and CIO at Laurentian, (514) 284-4522, fax (514) 284-3396.

MANAGEMENT CHANGES

Roger Peirce, formerly at First Data, has been appointed CEO at U.S. Wireless, (510) 596-2025, fax (510) 596-2029. **Donna Zarcone** has been appointed President and COO at Eaglemark Financial Serv., (312) 696-5365, fax (312) 368-4372. **Douglas Rattray**, formerly at Brandt Inc., has been appointed CEO at Card Tech. Corp., a subsidiary of NBS Tech., (201) 845-7373, fax (201) 845-3337. **David Braddock**, formerly at Mondex Int'l, has been appointed Mng. Dir. at Keycorp Europe, 44 (1925) 629-003, fax 44 (1925) 629-029. **Kenneth Rees**, formerly at CSC Index, has been appointed SVP and COO at Mr. Payroll, (817) 335-7200, fax (817) 335-8200. **Sean McCarthy**, formerly at Wells Fargo, has been appointed VP New Devel. at GetSmart, (650) 524-1805, fax (650) 524-1825. **Ian Much**, formerly at T&N plc, has been appointed CEO at De La Rue plc, 44 (171) 836-8383, fax 44 (171) 240-0990.

CONFERENCES & SEMINARS

IQPC CARD CONFERENCE: Sept. 29-30, The Berners Hotel, London, England. Readers of *The Nilson Report* who identify themselves when they register by phone or fax will receive a 15% discount on fees which range from \$675 (workshop only) to \$1,917 (conference only). Contact Stephanie Richardson at IQPC, 44 (171) 430-7300, fax 44 (171) 430-7301.

VERIFONE SIGNATURE CAPTURE TERMINAL The Omni 1460 customer-activated payment terminal is equipped with electromagnetic signature-capture technology to eliminate paper receipts, cost, and errors associated with merchant storage and retrieval of transaction data. It supports credit and debit, loyalty, stored value, and electronic benefits on both magnetic stripe and smart cards, and integrates with electronic cash registers. VeriFone, the world leader in card-payment terminals with a 54% share of shipments in the U.S. (31% worldwide), is a wholly owned subsidiary of Hewlett Packard. Greg Rhine is VP and General Manager of VeriFone North America in Santa Clara, California, (408) 496-0444, fax (408) 919-1405. Prior issue: 650 □

Omni 1460s are available in 256 Kbytes, 512 Kbytes, 1 Mbytes or 2 Mbytes of RAM. Three or four RS-232 serial ports are available to connect peripherals.



SRI EUROPE COLLECTIONS CONFERENCE Strategic Research Institute's International Consumer Debt Collections symposium in Amsterdam November 8-10 will feature presentations from Asset Acceptance, Commercial Financial Services, Experian, London Bridge, Atlantus Partners, American Express, Societe Generale, Moody's, and others. Topics include: Prioritizing Debt Recovery Using Credit Bureaus, Preparing Sales of Distressed Portfolios, Strategies for Outsourcing, Servicing Required for Securitization, and more. Fair Isaac will conduct a preconference workshop on "Managing Risk of Delinquent Customers." Experian will conduct a postconference workshop on "Fraud Prevention for Financial Services." Registration is \$1,295 for the conference only, \$1,595 for the conference and one workshop, and \$1,795 for the conference and both workshops. Subscribers to *The Nilson Report* who identify themselves when registering by phone or fax receive a 20% discount. Contact Chrystal Kaysen at SRI in New York, (212) 302-1800 ext. 259, fax (212) 302-9856. □

Cards for Deadbeats (from page 1) ... because they fell victim to sudden layoffs, medical emergencies, or some other unforeseen circumstance. Several companies that buy charged-off debt have developed programs that rehabilitate deadbeats so they can become profitable customers. Some have formed partnerships with card issuers willing to risk marketing unsecured Visa and MasterCard credit cards to this subprime market, a subject that was covered in issue 672. Others feel that unsecured bank card accounts are too risky, but see added profit in offering secured cards to customers from whom they are already collecting old debt. Both types of ventures use credit cards as part of an overall marketing campaign involving the sale of auto loans, mortgages, and other products to the subprime market.

Secured cards require a customer to collateralize their line of credit, either partially or in full, by depositing funds with the card issuer. The two secured programs described here will operate differently, although both plan to upgrade their card customers' status as quickly as possible. Cardholders will move from fully secured to partially secured credit lines in as few as 90 days if repayment records are good, eventually being rewarded with an unsecured card. Offering unsecured credit to former deadbeats requires close monitoring, but subprime marketers need to upgrade rehabilitated debtors before they are identified and then solicited by prime marketers.

PREMIER CAPITAL/FIRST TELESERVICES. First TeleServices is a financial services company with management teams that specialize in marketing various products to the subprime

UNSECURED CARD partnerships include: *The Credit Store & First National of Brookings, Access America & Felton Bank, and Creditrust & Key Bank and Trust.* Owners of charged-off debt convince consumers to transfer their old debt to an outstanding balance on a new Visa/MasterCard account. As cardholders pay down the balance, they increase their line of credit for new spending.

market — telecommunications products, auto loans, mortgages, etc. The company has formed alliances with vendors in each industry. Secured cards will be issued by First National of Boca Raton, Florida, an affiliate of First TeleServices which is a wholly owned subsidiary of Equitex (Nasdaq:EQTX). John Cahill, formerly at First Data Corp., is President of First TeleServices Corp. in Atlanta, Georgia, (404) 264-1555, fax (404) 264-0150.

SECURED CARDS are soon to be issued by the affiliates of First National of Boca Raton & First TeleServices and Corning FSA & Consumer Financial Services. Owners of charged-off debt will offer secured cards to customers who currently owe (or have owed) debt purchased by these companies. Debtors willing to place funds on deposit to serve as collateral for a new Visa or MasterCard account will earn interest on funds kept on deposit.

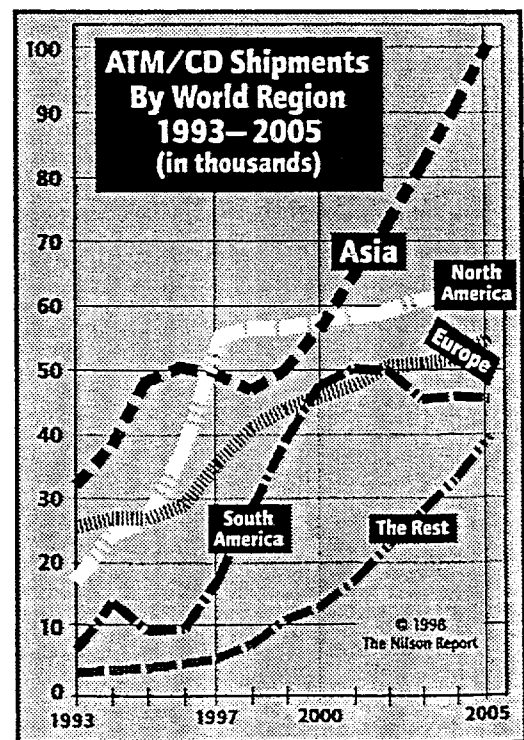
First TeleServices also has a marketing agreement with broker Premier Capital for charged-off loans. Premier will place 240,000 accounts annually with collection agencies working for First TeleServices. Debt could exceed \$100 million, with the expectation that up to 40% will be collected. Once a debtor expresses a willingness to reaffirm what they owe, the collector tells them that as a new "customer" they are eligible for the company's secured Visa or MasterCard card. If the debtor is interested, a separate sales call is made by a telemarketing firm to explain the product. John Carland is President at Premier Capital in Lawrence, Kansas, (785) 749-1411, fax (785) 749-1885.

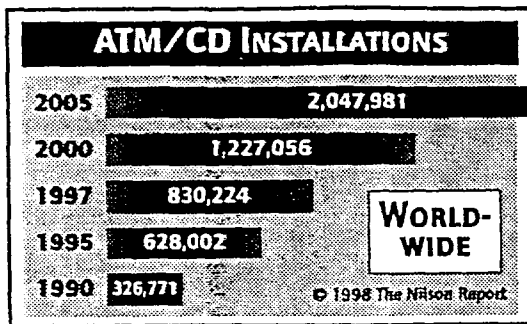
CONSUMER FINANCIAL SERVICES is the largest purchaser of charged-off credit card debt and currently owns four million deadbeat credit card accounts. The company has established an unnamed affiliate that expects to begin issuing secured and unsecured cards to its debtor file early next year. That affiliate has just agreed to acquire Corning Savings & Loan of Arkansas, a state-regulated institution that it expects to change to a federally regulated thrift. Corning's name will be changed and its office moved to Oklahoma to escape Arkansas restrictions on credit card interest rates.

Of the four million CFS-owned card accounts, 10% are either already paid off or in the process of being paid off through regular payments. Those accounts will be marketed secured and partially secured cards by the CFS affiliate. The remaining 3.6 million accounts are either not being paid off, are being paid off intermittently, or have been acquired so recently that they have not yet been solicited for collection. This group will be offered fully secured cards almost exclusively. Alan Colberg, formerly at Bain & Company, has been hired to be CEO of the CFS affiliate from offices in Tulsa, Oklahoma, (918) 492-5555, fax (918) 488-9139. □

ATMs (from page 1) ... 2,000,000. In the U.S., the installed base of ATMs/CDs topped 186,000 at the end of 1997. Installations are projected to more than double to 386,000 by 2005.

Profits from sales of new machines have been narrowed by increased demand for low-priced cash dispensers for off-premises locations. Over the next few years, this downward pressure on profits should be more than offset by three other revenue sources: (1) Sales of customized software to customers who want to give their machines strategic advantages over competitors ... (2) Outsourcing agreements for ... (turn to page 6)





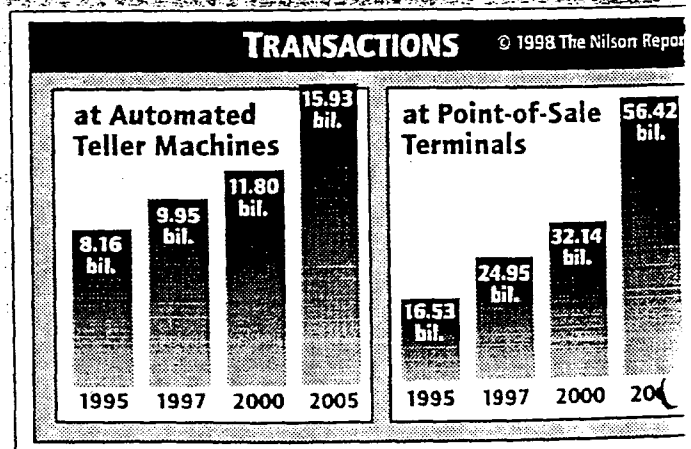
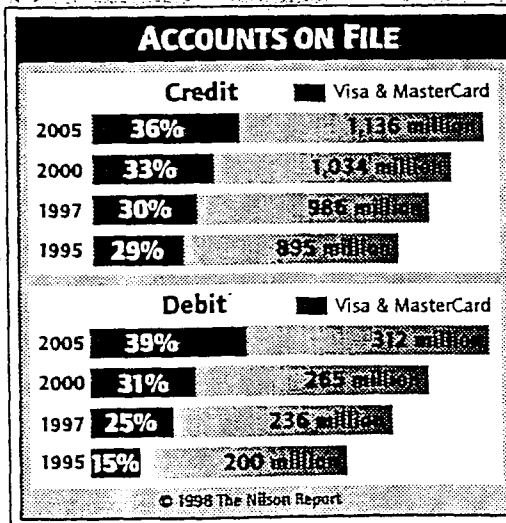
ATMs (from page 5) ... servicing of customers' ATM/CD networks ... (3) Establishment and maintenance of new network infrastructures in developing markets. Over the next five years revenues earned by manufacturers from shipments of more than one million newly manufactured ATMs and CDs and from related sales and services is expected to exceed \$17.70 billion, starting with \$2.89 billion this year. Prior issues: 670, 666, 647, 645, 642, 639, 620, 592, 579, 528, 470 □

Tax Payments (from page 1) ... professional tax preparer's computer. Fewer than 1.2 million electronic filers owed money to the IRS — an average of \$2,200. The \$2.64 billion in payments that had to be made by these electronic filers were mailed to the IRS using paper-based mediums of monetary exchange — checks, money orders, or cashier's checks — and each payment had to be accompanied by a paper voucher linking the payment to the tax return.

For the coming 1998 tax year, electronic filers who owe the IRS will be able to pay by credit or debit card, but data on that card payment will not accompany the electronic tax return. It will be made separately by having taxpayers dial a touch-tone ... (turn to page 10)

Processors (from page 1) ... of the card industry. On the issuing side, it involves maintenance of credit and debit card accounts. On the acquiring side, it involves operation of automated teller machines and point-of-sale terminals. Processors listed include those firms that handle their own cardholder and/or ATM/POS terminal businesses in-house, and those that perform services as a third-party provider to companies that issue cards and own terminals.

The listing on page one ranks the ten largest firms by four types of processing. (1) **Credit cardholder accounts** involve authorizing and posting of transactions on all types of credit cards, both general purpose and proprietary. (2) **Debit cardholder accounts** involve authorizing and posting transactions on Visa and MasterCard debit cards only. (3) **Card transactions at merchant point of sale** including transmitting authorization requests to the card issuer, capturing data about the sale, and/or providing accounting and statements to the merchant. (4) **Card transactions at automated teller machines** including transmitting authorization requests from ATMs to card issuers through regional or international switches □



TOP TRANSACTION PROCESSORS — USA

Credit & Debit Cards

Third-Party & In-House Providers

1997 Processor	No. of Trans. (bil.)	ISSUER ACCOUNTS		ACQUIRER TERMINALS	
		Credit	Debit	POS	ATM
1. First Data Corp.	6.70	X	X	X	
2. Vital Processing	3.90			X	
3. EDS	3.87	X	X	X	X
4. Total System Services	3.40	X	X	X	
5. Deluxe Elec. Pay. Syst.	3.00		X	X	X
6. National Data	2.81	X	X	X	
7. Citibank	2.38	X			X
8. EPS (MAC and Bypass)	2.30		X	X	X
9. Midwest Pymt. Syst. (MPS)	2.05	X	X	X	X
10. Honor/Star	1.73		X	X	X
11. Paymentech	1.60	X		X	
12. NPC	1.45			X	
13. Bank of America	1.43		X	X	X
14. American Express	1.36	X			
15. Texas Commerce (Pulse)	1.06			X	X
16. Alliance Data	1.02	X		X	
17. First Chicago NBD	0.92	X	X	X	X
18. M&I Data Services	0.86	X	X	X	X
19. Visa (DPS)	0.79		X	X	X
20. Mellon Network Serv.	0.78	X	X	X	X
21. MBNA	0.65	X			
22. Discover	0.62	X			
23. Wells Fargo	0.57		X		X
24. NYCE	0.53		X		X
25. Equifax Card Services	0.50	X	X	X	
26. Sears, Roebuck	0.49	X			
27. GE Capital RFS	0.46	X			
28. SPS Payment Systems	0.45	X	X	X	
29. U.S. Bank	0.40	X	X	X	X
30. Concord EFS	0.34	X		X	X
31. First National of Omaha	0.31	X	X	X	X
32. Arco Paypoint	0.30			X	
33. Fiserv	0.27	X	X	X	X
34. BankBoston (Xpress 24)	0.22				X
35. Chevron	0.21	X			
36. Capital One	0.21	X			
37. Fleet Technology	0.20				X
38. Texaco	0.18	X			
39. JCPenney	0.18	X			
40. Mobil	0.17	X			
41. Nova Corp.	0.17			X	
42. BP Oil	0.17	X		X	
43. Dayton Hudson	0.17	X			
44. ITS (Shazam)	0.16	X	X	X	X
45. Household	0.16	X			

1997 Processor	No. of Trans. (bil.)	ISSUER ACCOUNTS		ACQUIRER TERMINALS	
		Credit	Debit	POS	ATM
46. First Tennessee	0.16			X	X
47. Magic Line	0.16				X
48. Affiliated Comp. Serv.	0.14				X
49. May Dept. Stores	0.13	X			
50. Amoco	0.12	X			
51. Beneficial	0.10	X			
52. Federated Dept. Stores	0.10	X			
53. Publix (Presto)	0.10			X	X
54. Comdata	0.10	X		X	
55. Norwest (Instant Cash)	0.08				X
56. Networks	0.08			X	X
57. First Ind. Computers	0.08	X	X	X	X
58. Wachovia	0.08	X			X
59. Wright Express	0.08	X			
60. First No. American Nat'l	0.08	X			
61. Diners Club	0.07	X			
62. Dillard Stores	0.06	X			
63. Bisys	0.06		X		X
64. Ultramar Diamond	0.06	X			
65. Lynk Systems	0.05			X	X
66. First Security (HandiBank)	0.04				X
67. Banc One	0.04	X			
68. Phillips	0.04	X			
69. Fuelman/Gascard	0.04	X		X	
70. Transaction Billing Res.	0.04			X	
71. TCF Bank	0.03				X
72. Sunoco	0.03	X			
73. USA Processing	0.03			X	X
74. Conoco	0.03	X			
75. Nordstrom	0.02	X			
76. Proffitts	0.02	X			
77. Marathon Oil	0.02	X			
78. CoreStates	0.01	X	X		
79. Integrated Delivery Tech	0.01				X
80. Ashland	0.01	X			
81. National City	0.01	X			X
82. Harris Bank	<0.01	X			
83. Firststar	<0.01	X			
84. PHH Vehicle	<0.01	X			
85. BancTec	<0.01			X	
86. Maverick	<0.01			X	X
87. USPI	<0.01			X	X
88. American Banknote	<0.01			X	
89. U.S. Processing	<0.01				X
90. U S Audiotex	<0.01			X	

Bank of America includes BA Merchant Services. First Chicago NBD includes the Cirrus ATM switch, and Computer Comm. of America. M&I Data includes the Tyme EFT switch. Visa DPS includes Plus, Interlink, and "CheckCard." GE Capital includes private label cards only. U.S. Bank includes tbank and Minibank ATM switches. First Tennessee includes Money Belt EFT switch. Household includes private label and bank cards. Beneficial includes private label and bank cards. Banc One is private label cards. First North American National includes private label and bank cards. Nordstrom includes retail cards only. TCF Bank includes the Express Teller ATM switch.

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General Purpose Cards

(from page 1) ... \$540.83 billion, up 15.1% over the first half of 1997. Purchases at merchants accounted for \$431.25 billion, also up 15.1%. Cash totaled \$109.58 billion, up 14.9%. For the first time in seven years, growth of purchases exceeded growth of cash.

Only Visa and Diners Club gained market share of spending at merchants. Visa's share grew from 48.9% to 50.1%, highest in the history of competition among general purpose cards. Diners Club's share increased from 1.1% to 1.2%. The 75.0% market share controlled by bank cards (MasterCard and Visa) also reached an all-time high in the U.S. region.

Delinquencies on Visa and MasterCard credit cards at 4.47% of outstandings were down from 4.62% a year ago and 4.72% six months ago.

DEBIT CARDS. The 88.2 million debit cards with MasterCard and Visa brands accounted for 17.6% of 502.3 million bank cards (credit and debit).

U.S. GENERAL PURPOSE CARDS					
versus Midyear 1997	Total Volume (bil.)	Chg.	Purchase Volume (bil.)	Chg.	
Visa	\$280.88	+16%	\$216.07	+18%	
MasterCard	\$145.48	+18%	\$107.22	+14%	
Amer. Express	\$79.90	+11%	\$79.20	+12%	
Discover	\$29.38	+3%	\$23.56	+3%	
Diners Club	\$5.19	+26%	\$5.19	+26%	
TOTAL	\$540.83	+15%	\$431.25	+15%	

American Express outstandings include 30-day credit (\$17.08 bil.) and revolving credit (\$14.80 bil.). Discover outstandings do not include SPS Transaction Services (\$1.70 billion) and reflect the sale of its Prime Option MasterCard portfolio (\$550 mil.).

VISA & MasterCard RESULTS — U.S. MIDYEAR 1998

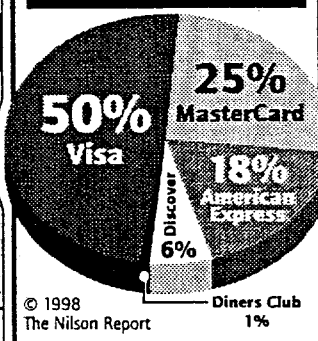
12-month change		VISA		MASTERCARD		TOTAL	
		1998	Chg.	1998	Chg.	1998	Chg.
Credit Cards	CARDS (mil.)	243.4	+4%	170.7	+7%	414.1	+5%
	ACCOUNTS (mil.)	187.8	+8%	130.5	+8%	318.3	+8%
	Active (mil.)	103.5	+7%	73.7	+5%	177.2	+5%
	TRANSACTIONS (mil.)	2,303.8	+8%	1,316.1	+6%	3,619.9	+7%
	VOLUME (bil.)	\$221.52	+10%	\$129.53	+11%	\$351.05	+10%
	Purchases (bil.)	\$178.65	+13%	\$96.27	+11%	\$274.92	+12%
	Cash Advances (bil.)	\$42.87	-1%	\$33.26	+1%	\$76.13	+4%
Debit Cards	OUTSTANDINGS (bil.)	\$226.64	+2%	\$157.38	+9%	\$384.02	+5%
	Delinquencies (bil.)	\$10.33	+1%	\$6.85	+3%	\$17.18	+2%
	CARDS (mil.)	64.4	+26%	23.8	+27%	88.2	+26%
	ACCOUNTS (mil.)	52.6	+28%	18.9	+23%	71.5	+26%
	Active (mil.)	27.3	+34%	7.5	+29%	34.8	+33%
	TRANSACTIONS (mil.)	1,327.0	+50%	327.4	+75%	1,654.4	+54%
	VOLUME (bil.)	\$59.36	+48%	\$15.94	+129%	\$75.30	+60%
TOTAL	Purchases (bil.)	\$37.42	+51%	\$10.96	+59%	\$48.38	+53%
	Cash Withdrawals (bil.)	\$21.94	+44%	\$4.99	+7435%	\$26.93	+76%
	CARDS (mil.)	307.8	+8%	194.5	+9%	502.3	+9%
	ACCOUNTS (mil.)	240.3	+12%	149.5	+9%	389.8	+11%
	Active (mil.)	130.8	+7%	81.2	+7%	212.0	+7%
	TRANSACTIONS (mil.)	3,630.8	+20%	1,643.6	+15%	5,274.3	+19%
	VOLUME (bil.)	\$280.88	+16%	\$145.48	+18%	\$426.36	+17%
	Purchases (bil.)	\$216.07	+18%	\$107.22	+14%	\$323.30	+17%
	Cash Adv. & With. (bil.)	\$64.81	+10%	\$38.25	+27%	\$103.06	+16%

Some numbers may not sum due to rounding.

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Twelve months ago it was 15.1% of 462.9 million. Purchases for the first six months totalled \$48.38 billion and represented 15.0% of all bank card spending at merchants — up from 11.4% one year earlier. Transactions at merchants during the first six months totalled more than

1 billion — up 50%. Prior issues: 651, 629, 603, 596, 592, 584, 579 □

MARKET SHARES OF PURCHASE VOLUME**MIDYEAR RESULTS 1998**

Outstandings (bil.)		Cards (mil.)	
	Chg.		Chg.
\$226.64	+2%	307.8	+8%
\$157.38	+9%	194.5	+9%
\$31.88	+8%	29.6	0%
\$32.69	-1%	47.1	-2%
\$1.34	+25%	1.6	+12%
\$449.93	+5%	580.6	+7%

FIFTH & SIXTH 50 BANK CREDIT CARD ISSUERS IN THE U.S. — 1997

Issuer, State of Issuance	Type	'97 Rank	Outstandings (mil.)	Volume (mil.)	Total Cards
Boyer Busch CU Missouri	CU	201	\$28.16	\$67.32	26,769
Bethpage Federal CU New York	CU	202	\$28.12	\$48.19	26,022
Chittenden Bank Vermont	CB	203	\$28.05	\$77.60	29,000
Tennessee Valley FCU Tennessee	CU	204	\$27.71	\$35.37	16,359
Langley Federal CU Virginia	CU	205	\$26.98	\$42.07	30,709
South Carolina FCU South Carolina	CU	206	\$26.90	\$30.70	31,000
MacDill Federal CU Florida	CU	207	\$26.86	\$41.01	19,852
Magna Bank Illinois	CB	208	\$26.76	\$64.70	46,338
Colorado State Employ. CU Colo.	CU	209	\$26.75	\$55.10	27,725
Long Island Savings Bank N.Y.	TH	210	\$26.53	\$40.75	20,406
Fairwinds FCU Florida	CU	211	\$26.44	\$46.06	32,821
Coastal FCU North Carolina	CU	212	\$26.18	\$86.40	42,000
Lockheed Ga. Employ. FCU Ga.	CU	213	\$26.10	\$42.00	19,907
Howard Bank Vermont	CB	214	\$25.55	\$68.94	33,611
Sterling Bank & Trust Michigan	CB	215	\$25.12	\$73.21	58,462
Greylock FCU Massachusetts	CU	216	\$24.94	\$30.35	22,109
Georgia Telco CU Georgia	CU	217	\$24.68	\$52.47	29,695
Star One Federal CU California	CU	218	\$23.56	\$84.14	30,594
John Deere Community CU Iowa	CU	219	\$22.78	\$46.92	34,246
Valley National New Jersey	CB	220	\$22.74	\$62.15	40,600
Charter Oak FCU Connecticut	CU	221	\$22.73	\$30.10	18,333
Sandia Laboratory FCU N. Mex.	CU	222	\$22.15	\$87.36	17,650
USE Credit Union California	CU	223	\$21.93	\$37.67	16,198
Sumitomo Bank California	CB	224	\$21.79	\$79.43	38,784
Bank of Louisiana Louisiana	CB	225	\$21.70	\$36.00	41,200
University Federal CU Texas	CU	226	\$21.36	\$44.11	30,100
Rainier Pacific Comm. CU Wash.	CU	227	\$21.16	\$27.86	13,787
Central Pacific Bank Hawaii	CB	228	\$21.00	\$44.00	30,000
American Baptist CU California	CU	229	\$20.41	\$52.51	19,055
Palaski Bank & Trust Arkansas	CB	230	\$20.41	\$43.53	13,404
Sea West Federal CU California	CU	231	\$20.31	\$34.15	14,636
Ent Federal CU Colorado	CU	232	\$20.29	\$42.13	23,412
First Nat'l in Brookings S. Dakota	CB	233	\$19.91	\$24.80	97,000
Max Federal CU Alabama	CU	234	\$19.55	\$36.29	35,631
Vista Federal Credit Union Calif.	CU	235	\$18.88	\$21.00	11,384
USA Federal CU Michigan	CU	236	\$18.42	\$67.42	45,068
Telbio Credit Union Ohio	CU	237	\$18.01	\$30.90	18,859
First Commonwealth Bank Pa.	CB	238	\$17.45	\$26.57	19,271
Bank of the Sierra California	CB	239	\$16.99	\$41.25	19,748
F&M Bank Virginia	CB	240	\$16.82	\$31.19	18,138
Finance Center FCU Indiana	CU	241	\$16.32	\$32.28	21,436
West Suburban Bank Illinois	TH	242	\$16.30	\$43.61	25,097
Liberty Bankcard Iowa	CB	243	\$16.20	\$24.48	15,500
First Bank Missouri	CB	244	\$16.05	\$39.70	25,358
United States Nat'l Pennsylvania	CB	245	\$15.56	\$20.67	21,118
Union Federal Savings Indiana	TH	246	\$15.44	\$34.44	36,536
Whitney Nat'l Bank Louisiana	CB	247	\$15.43	\$67.14	17,387
North Island FCU California	CU	248	\$15.35	\$13.97	7,200
WesBanco West Virginia	TH	249	\$14.59	\$28.30	24,882
First Citizens Bank South Carolina	CB	250	\$14.26	\$19.32	18,186

TOTALS FIFTH 50 1997 \$1,077.66 \$2,257.62 1,342,483

Issuer, State of Issuance	Type	'97 Rank	Outstandings (mil.)	Volume (mil.)	Total Cards
Star Financial Group Indiana	CB	251	\$14.08	\$42.87	26,116
United Nat'l Bank West Virginia	CB	252	\$13.63	\$29.93	27,878
Albank, FSB New York	TH	253	\$13.35	\$26.40	22,900
Ft. Wayne Nat'l Indiana	CB	254	\$13.04	\$53.81	16,685
Farmers & Merchants Bank Calif.	CB	255	\$13.02	\$44.62	20,685
First Community Bank W. Virginia	CB	256	\$12.60	\$17.46	12,784
S & T Bank Pennsylvania	CB	257	\$12.58	\$21.23	18,183
First Nat'l of Anchorage Alaska	CB	258	\$12.57	\$33.62	17,107
SW Nat'l/Twin Lakes Nat'l Kansas	CB	259	\$12.50	\$17.90	13,583
Washington Trust Washington	CB	260	\$12.09	\$44.94	15,834
R.I. State Employees CU R.I.	CU	261	\$12.02	\$17.65	8,700
Main Street Bank Group Virginia	CB	262	\$10.51	\$22.67	16,534
BSB Bank & Trust New York	CB	263	\$10.28	\$15.72	11,756
St. Mary's Bank New Hampshire	CB	264	\$9.17	\$14.40	8,347
Dollar Bank Pennsylvania	CB	265	\$8.97	\$17.23	11,569
Air Academy Nat'l Bank Colorado	CB	266	\$8.40	\$25.56	9,395
First Nat'l of Treasure Coast Fla.	CB	267	\$7.97	\$26.26	14,484
First Financial FCU California	CU	268	\$7.90	\$34.58	16,210
Western Bank Oregon	CB	269	\$7.10	\$25.71	15,500
Pt. Mugu Federal CU California	CU	270	\$6.60	\$3.97	7,890
Merchants Bank Vermont	CB	271	\$6.60	\$20.78	10,679
Bank of Raleigh West Virginia	CB	272	\$6.14	\$12.43	7,299
Bank of Canton California	CB	273	\$5.92	\$10.20	6,970
Campus Federal CU Louisiana	CU	274	\$5.85	\$13.92	8,413
Harleysville Nat'l Bank Pa.	CB	275	\$4.69	\$12.87	5,240
Iberia Savings Bank Louisiana	CB	276	\$4.15	\$9.10	7,421
Metropolitan Nat'l Bank Arkansas	CB	277	\$4.08	\$7.32	3,273
Security Savings Bank Mont., Kans.	TH	278	\$3.83	\$8.79	7,244
American Pacific Bank Oregon	CB	279	\$2.81	\$7.55	6,209
McHenry State Bank Illinois	CB	280	\$2.42	\$6.31	2,752
Texas First Bank Texas	CB	281	\$2.33	\$5.52	4,945
Independence Savings Bank N.Y.	TH	282	\$1.94	\$0.36	3,042
City Commerce Bank California	CB	283	\$1.93	\$8.62	2,268
Cowlitz Bank Washington	CB	284	\$1.66	\$3.72	1,294
Wheatland Bank Washington	CB	285	\$1.65	\$3.42	1,942
Central National Bank Illinois	CB	286	\$1.48	\$6.03	4,000
NSS Bank Connecticut	CB	287	\$1.41	\$2.12	1,571
Clinton National Bank Iowa	CB	288	\$1.30	\$3.81	3,688
Community Bank of Parker Colo.	CB	289	\$1.21	\$3.44	2,299
Commerce Bank & Trust Mass.	CB	290	\$1.16	\$4.93	3,630
Grand Rapids State Bank Minn.	CB	291	\$0.91	\$3.27	1,886
Little Horn State Bank Montana	CB	292	\$0.87	\$1.39	1,209
Carrollton Bank Maryland	CB	293	\$0.71	\$2.12	860
Jasper County Bank Mississippi	CB	294	\$0.62	\$1.32	1,210
Grundy National Bank Iowa	CB	295	\$0.58	\$2.38	1,210
Lincoln Savings Bank Iowa	TH	296	\$0.55	\$1.58	1,541
The Mechanics Bank California	CB	297	\$0.49	\$33.59	2,703
Continental Community Bank Ill.	CB	298	\$0.23	\$0.24	224
Martell State Bank Nebraska	CB	299	\$0.21	\$0.57	546
Int'l Bank of Commerce Texas	CB	300	\$0.14	\$1.08	280

TOTALS SIXTH 50 1997 \$286.23 \$727.19 417,388

Type — CB = commercial bank, TH = thrift, CU = credit union

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IRS E-FILE For tax payments to the IRS, cardholders will dial 1-888-2Pay-Tax and use the touch-tone keypad to input their social security number, balance due on their taxes, card account number and expiration date, and their agreement to accept the surcharge (called a convenience charge).



Card information will be transmitted immediately by Audiotex on-line to the card issuer for authorization. Audiotex will send the taxpayer information to the IRS later in batch mode to be matched with the tax return.

U S AUDIOTEX, founded in 1986, has been a majority-owned affiliate of Los Angeles-based Imperial Bank since January. The company has 140 state and local government customers in the U.S. who used its proprietary software and IBM hardware platform to process about one million card payments for citations (traffic violations) and taxes (property taxes) last year. Imperial, Bank of America, and Union Bank serve as acquirers. Steven Johnson is National Sales Manager at U S Audiotex in San Ramon, California, (925) 838-7996, fax (925) 838-4395.

Tax Payments (from page 6) ... phone to reach an interactive voice-response call center operated by U S Audiotex, a third-party processor.

By accepting cards for the first time, the IRS is accommodating Congress's 1997 Taxpayer Relief Act mandate which advised the agency to accept payments by all commercially acceptable means. However, Congress simultaneously decided that the IRS could not pay any fees to accept those payments. Since the IRS can't pay any fees, it can't be treated as a merchant in the card industry where it would be subject to interchange fees and other charges associated with card acceptance including those for authorizations, charge-backs and retrievals, and statements. As a result, the IRS will treat U S Audiotex as the merchant. This could also avoid having a credit card charge-back result in the temporary discharge of a tax payment.

Since Audiotex can't bill the IRS for any of its processing costs (including interchange fees), it must pass those costs on to cardholders through a convenience charge. Both Visa and

MasterCard permit a fixed-amount convenience charge to be applied by companies such as Ticketron that accept all transactions by telephone only — the method of payment that will be used by the IRS. Both also allow fixed-amount convenience charges to be assessed to cardholders by some state and local governments for card payments of citations and licensing fees. But what Audiotex wants to charge is a convenience charge that's tiered rather than fixed — one tied to the interchange rate so that it increases along with the amount owed. **MasterCard** allows this type of convenience charge and will participate in the IRS program. **Visa**, however, does not allow interchange-fee-based convenience charges, and it would first have to receive approval from its Executive Committee and perhaps even its Board of Directors to set aside that prohibition. It also wants to come to an agreement with the IRS regarding charge-backs and the responsibility for cardholder payments made through Audiotex before it agrees to participate. **American Express** and **Discover Card** will participate since Discover has always permitted tiered convenience charges, and Amex has decided to permit the practice for the first time.

Visa's selective allowance of an interchange-based convenience charge would be well-justified. Card payments of state, local, and federal discretionary services (post office, U.S. Mint, National Parks, etc.), mandatory services (motor vehicle registration, licensing fees for fishing, parking, etc.), and taxes by consumers and small businesses could eventually contribute from \$250 billion to \$300 billion annually in U.S. charge volume. □

August 31, 1998

H. Spencer Nilson